



Arnold Schwarzenegger, Governor  
State of California  
Business, Transportation and Housing Agency

Department of Managed Health Care  
980 Ninth Street, Suite 500  
Sacramento, CA 95814-2725  
(916) 323-0435 -Phone  
(916) 323-0438 -Fax  
enforcement@dmhc.ca.gov

August 3, 2005

Nancy J. Monk  
Vice President, Government Relations  
PacifiCare of California  
5995 Plaza Drive  
Cypress, CA 90630

RECEIVED

AUG 15 2005

OFFICE OF  
ENFORCEMENT

2005 AUG 11 AM 9:34

MANAGED HEALTH CARE  
ACCOUNTING OFFICE

Re: Enforcement Matter Number 03-194

### LETTER OF AGREEMENT

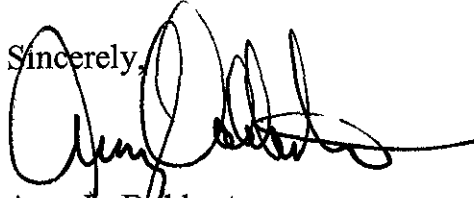
The Department of Managed Health Care has concluded its investigation of PacifiCare of California, Inc., (hereinafter "PacifiCare"), and its failure to file with the Department a written agreement for mental health services. The Department has determined that an independent practice association consisting of mental health providers (the "IPA") and a licensed specialized mental health plan (the "Plan") were both subsidiaries of a holding company (the "Company"). The IPA, Plan and Company shared a common board of directors and executive officers. Based on the facts set forth below, the Department finds that PacifiCare violated Health and Safety Code section 1352, subdivision (a), and 1399, subdivision (c), and California Code of Regulations, title 28, section 1300.51, Exhibit P in this matter.

The IPA entered into a written provider agreement with PacifiCare to provide mental health services to PacifiCare enrollees in Merced, Mariposa, and Tulare counties from April 2001 through January 2004. On February 1, 2004, PacifiCare terminated the IPA provider contract. The Department determined that an arrangement had been made between PacifiCare and the health plan to provide services to PacifiCare enrollees. Though PacifiCare had entered into a written provider agreement with the IPA for mental health services provided by the IPA, PacifiCare never entered into a separate, written agreement with the Plan and no material modification was filed with the Department for this arrangement.

Nancy J. Monk  
August 3, 2005  
Page 2

The Department has determined that an administrative penalty of \$2,500.00 is warranted for PacifiCare's failure to enter into an additional written agreement with the specialized health plan for the mental health services provided by the IPA. PacifiCare has agreed to pay this penalty.

Sincerely,



Amy L. Dobberteen  
Assistant Deputy Director  
Office of Enforcement

DLD:kts

Accepted by PacifiCare of California

Dated:

8/9/05



Nancy J. Monk  
Vice President, Government Relations  
PacifiCare of California